

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
NON-DESTINATION MARKETING FUNDS SUBCOMMITTEE**

Sanctuary Camelback Mountain, Room XII

5700 E. McDonald Drive

Paradise Valley, Arizona 85253

February 8, 2011

APPROVED MINUTES

PRESENT:

Kate Birchler

Michael Surguine (departed at 3:34 p.m.)

Leon Young (arrived at 3:01 p.m.)

STAFF:

Harold Stewart, Economic Vitality Director

Steve Geiogamah, Tourism Development Coordinator

Bob Tunis, Economic Development Tourism Manager

ALSO PRESENT:

Rachel Sacco, SCVB

Brent DeRaad, SCVB (arrived at 2:18 p.m.)

1. Call to Order/Roll Call

The meeting was called to order at 2:12 p.m.

2. Five-Year Tourism Development & Marketing Strategic Plan

Mr. Geiogamah reviewed the 2005 strategic marketing objectives and tasks, and invited the Subcommittee to discuss objectives for the next strategic plan as well as the duration of the plan. Committee Member Birchler felt that the plan should identify both long and short-term objectives. It is important to have a broad perspective on the future, while continuing to focus on the next year or two, as the economy climbs out of recession. Committee Member Surguine suggested the need for a thorough study to identify Scottsdale's competitors, and reveal the steps they are taking to remain competitive.

Mr. Geiogamah inquired if there is a need to review Scottsdale's group and leisure customers. Ms. Sacco responded that the CVB has just begun to review the latest Visitor Industry Customer Analysis (VICA) data. The CVB is also considering whether to purchase research by Focus Right, which is on the cutting edge of technology and social media trends. One possible focus is to analyze the type of visitor that Scottsdale aspires to attract, but currently does not. How important would the Desert Discovery Center be to them? What types of amenities should Scottsdale fund to meet this goal?

Committee Member Surguine said Phase II of the Desert Discovery Center Feasibility Study produced a great deal of research on out-of-market visitors. It was initially viewed in relation to the DDC specifically, but could also more broadly reveal what target visitors are hoping to find in Scottsdale. Mr. DeRaad said the last Metropoll survey of the group market did not contain many Scottsdale specific questions. It asked customers about the qualities they were looking for, and how different destinations ranked in various categories. Ms. Sacco said the last VICA research was not satisfying in terms of group research. It was hard to get the information needed.

Committee Member Birchler questioned whether Scottsdale should pursue new market segments. Committee Member Surguine suggested surveying existing properties to see what the emerging trends are. Ms. Sacco said the CVB would agendize this topic for their Executive Board meeting.

Mr. Tunis suggested a section on disaster planning. How should resources be deployed if tourism experienced another crisis? Committee Member Surguine proposed that part of the 50% be set aside for a rainy day fund. Ms. Sacco added that the reason the CVB was able to market at all after 9/11 was because unspent funds were available.

Committee Member Birchler said at one point Scottsdale was very focused on attracting a more affluent customer base, but questioned whether the focus should shift towards mass appeal. Ms. Sacco felt that targeting affluent customers was still the most relevant strategy for Scottsdale. Mr. DeRaad agreed that Scottsdale should continue to aim high. By keeping Scottsdale's cachet as strong as possible, people will continue to buy into it, even when times are tough.

Committee Member Surguine said politically, the tourism industry has done a poor job of drawing attention to the importance of tourism to Scottsdale. Ms. Sacco agreed that it requires a continuous effort at all levels.

Mr. Stewart queried the best way to sustain the labor pool. The more expensive it becomes to live in the area, the more difficult it becomes for employees to get to work. The lack of available employees constrains the industry. What can be done to keep the employment base in place? Council is very focused on capital projects at the moment, and suggested that the Subcommittee could make capital spending a higher priority than it was five years ago. Committee Member Birchler said the TDC should seize the opportunity to have a work study session with Council to educate them on the ballot language that the citizens voted for.

Committee Member Surguine said capital projects are attractive to people, but they might not necessarily be the best way to spend the available money. The Subcommittee should question whether money should be spent on capital projects or on something else like special events. A consultant could help the Subcommittee make informed decisions. Ms. Sacco said Scottsdale lacks an outline that would help decision makers evaluate their return on investment for each option. This would be valuable information to have. Committee Member Surguine said the Equidome might indeed be the smartest investment Scottsdale could make, but there is no ROI analysis that backs that up.

Mr. Stewart said the driving force behind the Equidome expansion was the National Arabian Horse Show organizers who identified Scottsdale as a potential new home. This has triggered several other national horse events to consider moves to Scottsdale as well. There is a limited window to capture each event as their current contracts end. He said Brian Dygert has hired a marketing group to find out what shows are available for relocation. The focus is on attracting a big event for the October time frame, which is usually a slower period.

Committee Member Surguine said he would feel better about the Equidome situation if Tourism was involved. Ms. Sacco said the CVB attended the meeting last year with the

National Arabian Horse Show, and worked with Mr. Dygert in putting the proposal together, but have not been involved in discussing what the priorities should be. Committee Member Birchler inquired whether Council has made a decision on the Equidome expenditure. Mr. Stewart said they have not. The Council's WestWorld Subcommittee in November wanted to move ahead with it. Two of the three subcommittee members are no longer on Council. Committee Member Birchler felt that someone from the TDC should be involved. Mr. Stewart explained that TDC Commissioners are welcome to attend the public meetings, but since it is a Council subcommittee, the seats are only open to Councilmembers.

Committee Member Surguine inquired whether Council expects the entire Equidome funding to come from the bed tax. Mr. Stewart responded that last year, Council clearly wanted to spend bed tax money on capital projects, but the makeup of Council has changed since then. A vote on the Equidome could not occur prior to April at the earliest. Committee Member Surguine said the hotel community should have an opportunity to weigh in on this issue since they are the ones being taxed. The Phoenix Convention Center has specific guidelines designed to avoid only having local events, because that would not benefit the hotel community. Mr. Geiogamah said he would inform the TDC when the Council Subcommittee reconvenes. He noted that the TDC used to employ weighted criteria when evaluating capital spending priorities. He suggested that this criteria be revisited.

Committee Member Birchler requested agenda items to discuss a list of potential capital projects and the weighted criteria necessary to evaluate them.

3. Tourism Program Policies and Proposal Process

Mr. Geiogamah requested Subcommittee input on the staff's tourism policies and procedures. Staff also requested a work study session with City Council to discuss overall policy issues. Committee Member Birchler proposed a March/April meeting with Council.

Mr. Stewart stated that Council intends to take 24% of the non-marketing half and put it in the General Fund. Debt service will continue to use \$600,000. The annual commitment to the Fiesta Bowl will consume another portion of the money, as will the P.F. Chang's Rock 'n' Roll Marathon. MEAF will also continue to come out of the money. In the past two years, Scottsdale has spent nearly \$1.2 million at WestWorld, all focused on the Barrett-Jackson event, and close to \$14 million over the last seven years. In December, the City saw increases in bed tax and car sales tax.

Committee Member Birchler proposed that the subcommittee be renamed the Tourism Program Development Subcommittee, relevant to the half of the bed tax revenue dedicated to destination marketing. The Subcommittee agreed.

Committee Member Birchler suggested that the Subcommittee meet to discuss agenda items for the work study session with Council. In response to an inquiry from Mr. Tunis, Committee Member Birchler explained that while part of the goal of the work study session is to educate Council and present the TDC's views, it would be important to get their vision and interpretation of tourism issues. Committee Member Surguine felt that

individual meetings with Councilmembers would ensure a productive work session. The Subcommittee agreed.

4. Event Support Program

Committee Member Birchler stated that references to MEAF should be made obsolete by the end of the current fiscal year, and tasked the Subcommittee with creating a new program that would support existing events, new events, and legacy events, and with redefining the criteria and the process for distributing the funds. Mr. Geiogamah advised that the new program be created by the end of May.

Committee Member Birchler queried whether the new program should have three different levels, each with their own processes, dollar amounts and criteria. Committee Member Young felt that a research element would have to accompany any new event development effort, to identify events that align with Scottsdale's brand. The portion budgeted for new events could potentially be larger for that reason. Mr. Geiogamah said the City's budget once included an expense line specifically for new event development, but it was removed for budgetary reasons.

Committee Member Surguine felt that an integral part of tourism development is finding meaningful new events and determining the resources necessary to attract them. Committee Member Young said another important aspect is to streamline the process of working with the City. Committee Member Surguine said event producers would love to have one person to turn to when conducting City-related business. Committee Member Birchler inquired whether the City had anyone specifically dedicated to recruiting events. Mr. Geiogamah said it did not. Generally, events approach the City or submit proposals through the CVB. Committee Member Birchler said Scottsdale cannot expect events to continue to make the first move. The City should proactively seek them out.

Mr. Stewart noted that the City will eventually lose access to the site along the canal frequently used for events. When that happens, the only big space left in downtown will be the Civic Center Mall. The State of Arizona will also start selling off land near the golf course that is currently being used for parking. When the Subcommittee considers how to attract new events, they must take into account the reality of the City's physical amenities.

Committee Member Surguine agreed that Scottsdale has venue challenges, but he felt that the primary problem is the lack of a clear City contact that event producers could turn to. All hotels with convention business provide a contact for meeting planners to turn to. It would be interesting to see whether other cities have such a person. Mr. Geiogamah said this would make a good topic for the work study session with Council. Mr. Stewart explained that Scottsdale currently does not recruit events, it processes them. The City has one-stop event processing, but has no one person dedicated to new events.

Committee Member Young said other cities are targeting Scottsdale for events to pilfer, so Scottsdale should be trying to convince events to expand here. Mr. Tunis suggested that Scottsdale could also benefit from having a coordinator screen events as they are proposed. Approving a minor event could prevent a much better one. Committee

Member Young added that space-challenged events at one location could instead utilize venues across the city, with transportation being arranged between them.

Mr. Geiogamah noted that Scottsdale once had an event recruiter, but available event funding and the lack of venues were major obstacles. Ms. Sacco added that the events were primarily looking at WestWorld, and the spaces available there at that time were not suitable for them. The recruiting effort was only given one year to work, however.

Committee Member Young suggested that event producers meet with a committee to get all of the necessary approvals. Mr. Geiogamah said Scottsdale has the Special Events Committee now that involves multiple City departments. Committee Member Young noted the problems that Mr. DeRaad had in organizing the Fiesta event. Mr. Stewart explained that internal negotiations slowed the process down in that case. Committee Member Young said his hotel staff has had difficulty understanding which City departments are responsible for enforcing each part of the same code. Even the supervisors do not always know. Mr. Stewart agreed that the City would benefit from having someone that could clear up those types of problems, and is working on a solution.

Committee Member Birchler requested information on the processes that Scottsdale's competitors use, especially Valley cities. She also requested information on the process Scottsdale used when the event recruiter was on staff. The Subcommittee could reconvene to discuss that information prior to the work study session with Council.

Mr. Geiogamah inquired whether the focus for existing events should continue to be on marketing outside the region, like the MEAF program. Committee Member Birchler felt that the focus should still be on the benchmark criteria, but the process, surveys, and types of information gathered should be the same for all events. Ms. Sacco said Las Vegas Events makes it very clear what is required to get funding. Mr. Stewart added that new events often request subsidies for a move. In the past Council has resisted the idea of subsidizing new events. At least one current Councilmember does not think that marketing should be a priority. Committee Member Birchler responded that marketing is very important. The CVB has to be involved because they are the marketing experts. The criteria should aim at driving visitors to Scottsdale, and the benefits should succeed in that aim.

Ms. Sacco stated the need to get a clearer picture of the total value that the City provides to events, not just from MEAF. This would entail quantifying the value they get out of public safety, parking, etc. Mr. Geiogamah said the budget is generally categorized by department, and departments are sometimes not specific about where dollars are going in terms of in-kind services. It would be helpful to allocate event dollars specifically to events. Committee Member Young said it is difficult to determine the City's ROI in relation to MEAF, because of the inability to quantify the direct impact of specific events. Some numbers seemed vastly inflated.

Committee Member Birchler felt that requiring use of the CVB's booking engine, and mandating an exit survey for all events would help nail down specific numbers. Committee Member Young suggested contracting a research entity, that event vendors could opt into. This would provide uniform methodology that the Subcommittee could draw upon during the evaluation process. Committee Member Birchler agreed that the

criteria should emphasize an objective process instead of a subjective one. Mr. Tunis cautioned that monitoring and reporting on performance measures could build up a bureaucracy that would require resources. Committee Member Birchler said the Fiesta's success illustrates what the possibilities are. It was great to hear the Mayor acknowledge the importance of tourism in his State of the City address.

Mr. Stewart said for the past two years Council has been focused on the budget and taxes. The subparts of the economy that drive those things have not been at the forefront of the discussion. Does the tourism economy in Scottsdale cycle out faster than it does in other communities? Committee Member Birchler said the last research on the economic impact of tourism to Scottsdale was done ten years ago, and was based on exit surveys. Mr. Geiogamah said the Visitor Research Report differentiates visitor spending. Committee Member Young suggested an update of the metrics used to measure the economic impact.

5. Identification of Future Agenda Items

Committee Member Birchler summarized the need to: update the strategic plan, while including anything of importance discovered by the CVB; identifying how other competitive markets handle event support; outlining the benefits and criteria of the event program with the CVB's input; and defining agenda items for the Council work study session.

6. Public Comment

There were no public comments.

7. Adjournment

The Subcommittee meeting adjourned at 4:07 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.